

ULTRAMAR

COMPANY LIMITED



U.K.
PARENT
OF GOLDEN EAGLE
CANADA LTD,
MONTREAL.

ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31st DECEMBER

1967



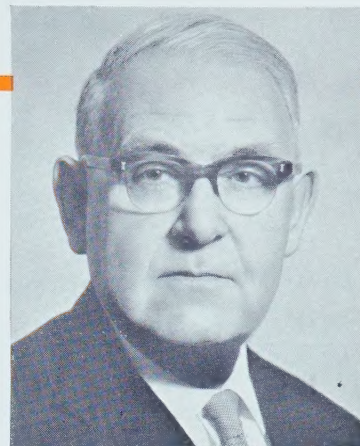
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ULTRAMAR COMPANY LIMITED

Directors

THE RIGHT HON. LORD TANGLEY, K.B.E., LL.D., *Chairman*
C. L. NELSON, *Deputy Chairman and Managing Director*
L. E. BENSEN (U.S.A.)
B. R. GOODFELLOW, O.B.E.
A. LORBEER (U.S.A.)
J. D. McCALL (*Alternate*, D. E. G. PRAIN)
SIR KENNETH W. MEALING
J. A. OWERS
R. P. L. THOMPSON



LORD TANGLEY

Bankers

CANADIAN IMPERIAL BANK OF COMMERCE
FIRST NATIONAL CITY BANK
LLOYDS BANK LIMITED
MORGAN GRENFELL & CO. LIMITED

Solicitors

FRESHFIELDS

Auditors

JACKSON, PIXLEY & CO., Chartered Accountants

Technical Consultants

V. C. ILLING & PARTNERS

Secretaries

LIMEBEER & CO., Chartered Accountants

Registered Office

2, Broad Street Place, London, E.C.2

ULTRAMAR COMPANY LIMITED

THIRTY-SECOND ANNUAL REPORT 1967

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Ultramar Group Operating Companies market
their products under the GOLDEN EAGLE emblem
which also appears on the front cover

ULTRAMAR COMPANY LIMITED

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the THIRTY-SECOND ANNUAL GENERAL MEETING of ULTRAMAR COMPANY LIMITED will be held at THE ABERCORN ROOMS (GREAT EASTERN HOTEL), BISHOPSGATE, LONDON, E.C.2. on Wednesday, 29th May, 1968, at 12 noon, when the following business will be transacted :—

1. Receive and, if approved, adopt the Report of the Directors and Statement of Accounts for the year ended 31st December, 1967.
2. Consider and, if thought fit, pass the following Resolution as an Ordinary Resolution :

“ That upon the recommendation of the Board it is desirable to capitalise the sum of £88,338 10s. standing to the credit of the Share Premium Account of the Company and accordingly that the Board be and it is hereby authorised and directed to appropriate the said sum to the members holding the ordinary Stock in the capital of the Company whose names are on the Register of ordinary Stockholders at the close of business on 29th May, 1968, in proportion to their respective holdings of ordinary Stock and to apply the said sum on behalf of such members in paying up in full at par 176,677 of the unissued ordinary Shares of 10s. each in the capital of the Company, such shares, when so fully paid, to be allotted and distributed credited as fully paid up to and amongst such members in the proportion of one new ordinary Share of 10s. for every £25 of ordinary Stock so held by them respectively but so that no member shall be entitled to any fractional part of a share ; PROVIDED THAT

 - (a) ordinary Shares representing fractions shall be allotted to one of the Directors for sale and distribution of the net proceeds among the members who would otherwise be entitled thereto ;
 - (b) forthwith upon allotment thereof the said 176,677 ordinary Shares of 10s. each fully paid shall stand converted into £88,338 10s. ordinary Stock of the Company transferable in amounts and multiples of 10s.”
3. Elect Directors.
4. Fix the remuneration of the Auditors.
5. Transact the ordinary business of the Company.

A member of the Company entitled to attend and vote at the above meeting may appoint another person (whether a member or not) as his proxy to attend and vote instead of him.

By Order of the Board,

LIMEBEER & CO.,
Secretaries.

Registered Office :

2, BROAD STREET PLACE,
LONDON, E.C.2.

6th May, 1968.

See Note on page 27.

ULTRAMAR COMPANY LIMITED

REPORT OF THE DIRECTORS

The Directors submit their Report and Statement of Accounts for the year 1967.

ACCOUNTS

The Consolidated Accounts of the Company and its Subsidiaries show a profit for 1967 before taxation of £2,111,000 (1966, £1,219,000). Profit includes £126,000 non-recurring gain (1966, £79,000). Taxation, being Venezuelan and United States tax, amounted to £798,000 (1966, £490,000) and profit attributable to Outside Shareholders was £73,000 (1966, £50,000). The consolidated net profit attributable to the Ultramar Group, after taxation, was £1,240,000 (1966, £679,000). Foreign income and expenditure items (as well as amortisation, depreciation and depletion) for the whole of 1967 have been brought into the Accounts at the Exchange Rates ruling at the end of 1967.

REVIEW OF OPERATIONS

The Ultramar Group's sales of refined products for 1967 amounted to 58,908 barrels per day (1966, 54,026 barrels per day). Oil production for 1967 was 13,276 barrels per day (1966, 15,022 barrels per day) and gas sales 36,825 thousand cubic feet per day (1966, 24,633 thousand cubic feet per day).

The Group has paid the fourth of the five equal annual instalments to acquire one-third of the capital stock of the Panama Refinery company. The refinery in Panama processed 54,940 barrels per day during 1967 (1966, 55,565 barrels per day). The refinery is being expanded and by the middle of 1968 its capacity will be increased to approximately 75,000 barrels per day.

The Group has acquired part ownership in five medium-size ocean-going tankers, four of which are held by the Group on long-term charters. A further two tankers are also held on long-term charters.

Product sales by the Caribbean companies, excluding increased sales to sister companies, averaged 13,255 barrels per day in 1967 (1966, 13,253 barrels per day). The Group is a large supplier of marine fuels in the Panama Canal area. Marine fuel oil is at present delivered at both ends of the Panama Canal to customers' vessels by means of small

coastal tankers. Two 30,000-barrel self-propelled barges are being built for this bunkering business and will be in operation by the middle of 1968.

The wholly-owned Newfoundland refinery processed 8,942 barrels per day in 1967 (1966, 8,319 barrels per day). The effects of the revamp of the refinery completed in April, 1967, were becoming apparent in the last quarter of 1967 when an average of 10,517 barrels per day was processed. The number of Golden Eagle branded service stations has increased to 128 in Newfoundland (of which 20 are along the new Trans-Canada Highway) and 209 in the Provinces of Quebec and Ontario. Product sales in Canada averaged 24,214 barrels per day (1966, 22,259 barrels per day).

The wholly-owned California refinery processed 12,415 barrels per day in 1967 (1966, 11,829 barrels per day). Product sales in the United States averaged 21,439 barrels per day (1966, 18,514 barrels per day).

The Group is engaged in an active exploration programme in Canada, the United States and other parts of the world with the purpose of increasing substantially the Group's oil and gas reserves. Since the end of 1967, exploration rights have been acquired over 1,400,000 acres in the Bahamas, a 9½ per cent interest has been acquired in 3,492,000 acres off-shore Ecuador and, in addition, the Group has taken a 5 per cent interest in 100,000 acres in the North Sea, off-shore Holland. Applications have been made for further concessions both on and off-shore in various parts of the world.

A full report on operations is set out on pages 10 to 16.

EURODOLLAR LOAN

A Eurodollar loan facility of U.S. \$7,000,000 has been arranged with a consortium of banks headed by Morgan Grenfell & Co. Limited. The loan facility is available for a five-year period reducing by \$1,000,000 at the end of the third year and a further \$1,000,000 at the end of the fourth year. It is intended to use the funds partly in redeeming some present loans and partly as additional working capital.

SCRIP ISSUE TO STOCKHOLDERS

The consolidated net profit for 1967 of the Group shows an improvement of £561,000 or 82 per cent over 1966. The Ultramar Group continues to make good progress in its operations and a further improvement in profit is expected in 1968.

It still remains the case that under present U.K. tax legislation neither the Company nor its Stockholders would get any relief in respect of foreign taxes against the dividend tax which would be payable on a cash distribution to Stockholders either in the form of a dividend or Capital Surplus Distribution. It is proposed therefore to recommend again to Stockholders a scrip distribution in lieu of a cash distribution for this year.

At the forthcoming Annual General Meeting a Resolution will be submitted for an issue to Stockholders of one new 10s. unit of stock credited as fully paid for every 50 units held. This will require the issue of 176,677 shares of 10s. each which upon issue will stand converted into stock ranking *pari passu* with existing stock. The distribution will be provided for by capitalising a sum of £88,338 10s. drawn from Share Premium Account. Shares representing fractions will be allotted to trustees and sold and the proceeds will be distributed to the Stockholders entitled to such fractions. Stock Certificates which will be renounceable up to and including 23rd August, 1968, will be posted on 12th July, 1968. Application will be made in due course for permission to deal in the new stock units on The Stock Exchange, London, and subject thereto it is expected that dealings will commence on 15th July, 1968. H.M. Treasury raises no objection to this proposed scrip issue.

Stockholders who so wish will have the opportunity of realising the value of this distribution for cash which, based on the current market price of the Stock, would amount to about 1s. per 10s. unit of stock held. The scrip dividend in the previous year also amounted in value to about 1s. per share and the proposal this year therefore responds to the Chancellor of the Exchequer's appeal for restraint. But for this appeal it would have been the recommendation of your

Directors that the scrip dividend should be one new 10s. unit for every thirty units held.

Any Stockholder who sells his new stock units would reduce slightly his proportion of the equity of the Company but, in terms of value, the dilution would be more than offset by the increase in tangible assets attributable to his holding which arises from the Company's retention of profit.

Your Directors are satisfied that the funds available to the Group by reason of this retention of profit can be put to good use in the development and extension of the Group's business.

DIRECTORATE

Mr. L. E. Bensen and Mr. J. D. McCall retire in accordance with the Articles of Association and offer themselves for re-election as Directors.

DIRECTORS' INTERESTS

In accordance with the General Undertaking which the Company has given to The Stock Exchange, London, it is stated that the interests of all the Directors of the Company and their family interests do not, in the aggregate, in respect of either share capital or voting control, exceed 5 per cent of the Company or of any one subsidiary.

GENERAL MEETING

Notice of the Thirty-Second Annual General Meeting to be held at The Abercorn Rooms (Great Eastern Hotel), Bishopsgate, London, E.C.2, on Wednesday, 29th May, 1968, at 12 noon, is set out on page 3.

By Order of the Board,

LIMEBEER & CO.,
Secretaries.

2, BROAD STREET PLACE,
LONDON, E.C.2.

6th May, 1968.

ULTRAMAR COMPANY LIMITED

SUBSIDIARIES AND AFFILIATES

<i>Company</i>	<i>Ultramar Per Cent Interest</i>	<i>Principal Business</i>
U.S.A. DIVISION		
AMERICAN ULTRAMAR LIMITED	100	Management and Co-ordination of Group Activities
GOLDEN EAGLE REFINING COMPANY, INC.	100	Oil and Gas Production, Refining and Marketing
GOLDEN EAGLE STATIONS, INC.	100	Retail Marketing
RESERVE TRUCKING COMPANY	100	Transportation
CARIBBEAN DIVISION		
CARACAS PETROLEUM, S.A.	100	Oil and Gas Production, Royalty Rights
ULTRAMAR PANAMA INC.	100	Refining and Marketing
GOLDEN EAGLE PANAMA INC.	100	Bunkering and Marketing
GOLDEN EAGLE LIBERIA LIMITED	100	Marketing
GOLDEN FALCON CORPORATION	100	Owns Barges
GOLDEN HAWK CORPORATION	100	Owns Barges
GOLDEN EAGLE BAHAMAS LIMITED	100	Exploration
GOLDEN EAGLE DEL ECUADOR, C.A.	90	Exploration
VENEZUELAN ROYALTIES, S.A.	80 $\frac{2}{3}$	Royalty Rights in Venezuela
ORIENTAL ROYALTIES, S.A.	51 $\frac{2}{3}$	Royalty Rights in Venezuela
S.A. PETROLERA LAS MERCEDES	50	Oil and Gas Production
REFINERIA PANAMA, S.A.	26 $\frac{2}{3}$	Refining
COSMIC SHIPPING & ENTERPRISES INC.	20	Owns Tanker
CORNELL NAVIERA S.A.	18	Owns Tanker
STRATFORD SHIPPING LIMITED	17 $\frac{1}{2}$	Owns Tanker
CORINTHIAN SHIPPING INC.	13	Owns Tanker
CANADIAN DIVISION		
GOLDEN EAGLE OIL AND GAS LIMITED	100	Oil and Gas Production
GOLDEN EAGLE CANADA LIMITED	100	Refining and Marketing
GOLDEN EAGLE EXPLORATION LIMITED	100	Oil and Gas Exploration
ULTRAMAR CANADA LIMITED	100	Investment Holding Company
LOUIS EMARD PETROLEUM COMPANY LIMITED	100	Retail Marketing
STEVE MANNING LIMITED	100	Retail Marketing
GERVAIS PETROLEUM INC.	100	Retail Marketing
GERVAIS INVESTMENT INC.	100	Retail Marketing
ULTRAMAR LIBERIA LIMITED	100	Marketing
CORNWALL PETROLEUM LIMITED	100	Retail Marketing
EUROPEAN DIVISION		
GOLDEN EAGLE PETROLEUM COMPANY LIMITED	100	U.K. Marketing
GOLDEN EAGLE PETROLEUM (IRELAND) LIMITED	100	Inactive

ULTRAMAR OPERATING COMPANIES

MANAGEMENT

AMERICAN ULTRAMAR LIMITED

New York, N.Y.

ARNOLD LORBEER	<i>President and Chief Executive Officer of all Operating Companies Chairman of the Board of Directors</i>
RICHARD THOMPSON	<i>Executive Vice-President</i>
LLOYD BENSEN	<i>Vice-President—Finance</i>
BERTRAM AULT	<i>Vice-President—Refining</i>
DALE AUSTIN	<i>Vice-President—Producing</i>
G. ROY BROTHERHOOD	<i>Controller</i>
CARL WALDO	<i>Treasurer</i>
WILLIAM WILKINSON	<i>Secretary</i>
HAZEL LEE	<i>Manager—Marine Fuels</i>
JOSEPH AMENT	<i>Manager—Transportation</i>
JOHN TIVNAN	<i>Manager—Cargo Sales</i>
EDWARD ROBBINS	<i>Manager—Insurance</i>
FRANK PREBBLE	

UNITED STATES DIVISION

GOLDEN EAGLE REFINING COMPANY, INC.

Los Angeles, California

DAVID ORECK	<i>President and General Manager</i>
WILLIAM THEISEN	<i>Vice-President—Sales</i>
CECIL SQUIRE	<i>Vice-President—Refining</i>
HORACE McKAY	<i>Treasurer and Secretary</i>
ALBERT JONES	<i>Refinery Superintendent</i>
SOL ALEXANDER	<i>Manager—Production and Supply</i>
ROBERT GIVENS	<i>Manager—Gasoline Sales</i>
JOHN GOLD	<i>Senior Geologist</i>

CARIBBEAN DIVISION

CARACAS PETROLEUM, S.A.

Caracas, Venezuela

WILLIAM ROBINSON	<i>Vice-President and General Manager</i>
GORGAS GARRIGA	<i>Vice-President—Assistant Manager</i>
FRANCISCO REYES	<i>Treasurer</i>
LIGIA DE KARAM	<i>Secretary</i>
FRANK KAY	<i>Manager—Operations</i>

ULTRAMAR PANAMA INC. GOLDEN EAGLE PANAMA INC.

Panama City, Republic of Panama

WILLIAM ROBINSON	<i>Executive Vice-President and General Manager</i>
EDUARDO ALFARO	<i>Secretary</i>
JOHN LIPSTATE	<i>Manager—Refinery Engineering</i>
BARTHOLEMW MURRAY	<i>Manager—Bunker Operations</i>
ROBERT FFOULKES-JONES	<i>Chief Accountant</i>
RICARDO ALFARO	<i>Co-ordinator—Local Marketing</i>

CANADIAN DIVISION

GOLDEN EAGLE CANADA LIMITED

Montreal, Quebec and St. John's, Newfoundland

PAUL BOYD	<i>President and General Manager</i>
JAMES ALLAN	<i>Senior Vice-President</i>
JACK DENNING	<i>Vice-President and Treasurer</i>
WILLIAM SMALLWOOD	<i>Secretary</i>

Quebec and Ontario

HECTOR DESCHENES	<i>Vice-President—Marketing</i>
WILLIAM TAWS	<i>Assistant Territorial Manager</i>
BRENDAN DAVIS	<i>Assistant Territorial Manager</i>
WILLIAM PFLIEGER	<i>Manager—Home Heating Oils</i>

Newfoundland

JOHN AITKEN	<i>Vice-President—Marketing</i>
DOUGLAS PEMBERTON	<i>Vice-President—Refining</i>
WILLIAM BREMNER	<i>Assistant Territorial Manager</i>
REGINALD SEE	<i>Assistant Territorial Manager</i>

GOLDEN EAGLE OIL AND GAS LIMITED

Calgary, Alberta

HANS GARDE-HANSEN	<i>Vice-President and General Manager</i>
ROBERT WELTY	<i>Assistant Manager and Treasurer</i>
ROBERT BLACK	<i>Secretary</i>
HENRY LASKA	<i>Manager—Operations</i>
PHILIP CLARKE	<i>Manager—Land</i>

GOLDEN EAGLE EXPLORATION LIMITED

Calgary, Alberta

E. KEITH CULLINGHAM	<i>Vice-President and General Manager</i>
DENIS RUSSELL	<i>Vice-President—Engineering</i>
DAVID GILBERT	<i>Chief Geologist</i>

ULTRAMAR GROUP

SUMMARISED OPERATIONAL RESULTS

OIL PRODUCTION : BARRELS

	1967	1966	1965	1964	1963
Venezuela	4,420,809	5,040,970	5,819,507	4,863,385	4,584,197
Canada	365,071	381,065	431,518	528,450	555,821
U.S.A.	59,886	60,990	51,036	43,476	48,078
TOTAL	4,845,766	5,483,025	6,302,061	5,435,311	5,188,096
DAILY AVERAGE...	13,276	15,022	17,266	14,851	14,214

GAS SALES : THOUSANDS OF CUBIC FEET

Venezuela	12,364,393	7,923,997	10,440,932	12,615,464	13,320,373
Canada	787,496	727,759	811,236	619,019	166,722
U.S.A.	289,252	339,470	420,446	500,544	478,868
TOTAL	13,441,141	8,991,226	11,672,614	13,735,027	13,965,963
DAILY AVERAGE ...	36,825	24,633	31,980	37,527	38,263

GROSS ACREAGE :

Venezuela	312,500	312,500	312,500	446,846	477,227
Canada	5,035,924	4,419,295	4,416,471	4,411,530	4,343,058
U.S.A.	43,138	12,592	2,532	2,532	3,061
TOTAL	5,391,562	4,744,387	4,731,503	4,860,908	4,823,346
TOTAL NET	943,683	810,232	795,682	822,947	1,167,587

GROSS WELLS DRILLED :

Venezuela	0	0	15	16	4
Canada	28	6	22	27	31
U.S.A.	6	1	0	0	0
TOTAL	34	7	37	43	35

NET WELLS COMPLETED :

Oil	8	1	9	13	11
Gas	0	0	1	1	1
TOTAL	8	1	10	14	12

OIL REFINED : BARRELS

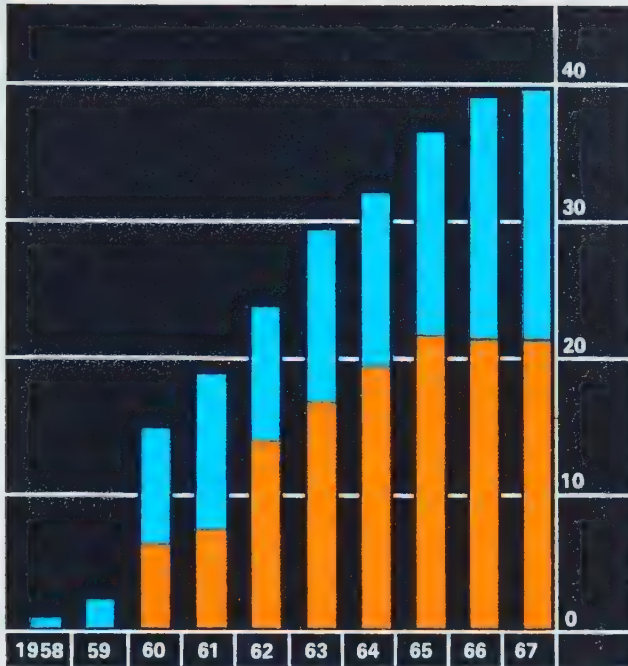
At own Refineries	7,795,125	7,353,874	7,565,279	6,800,292	5,976,051
Under Contracts	6,679,666	6,904,975	5,721,521	4,949,872	4,724,096
TOTAL	14,474,791	14,258,849	13,286,800	11,750,164	10,700,147
DAILY AVERAGE...	39,657	39,065	36,402	32,104	29,315

REFINED PRODUCTS SOLD : BARRELS

TOTAL	21,501,435	19,719,395	18,220,089	15,512,195	14,159,871
DAILY AVERAGE ...	58,908	54,026	49,918	42,383	38,794

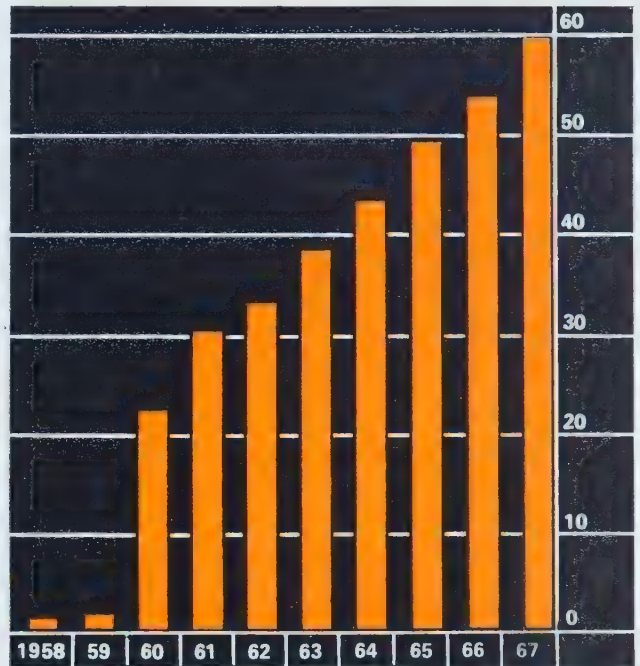
ULTRAMAR GROUP

■ Under Contracts.
■ Own Refineries.



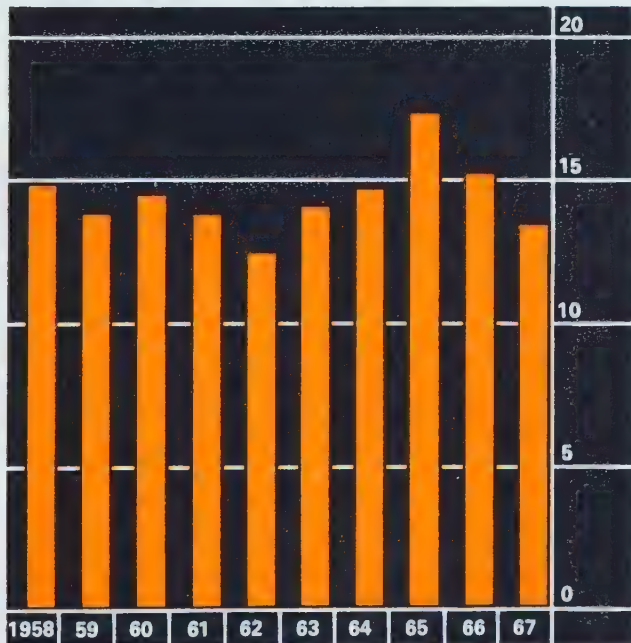
REFINERY THROUGHPUT

Thousands of barrels per day



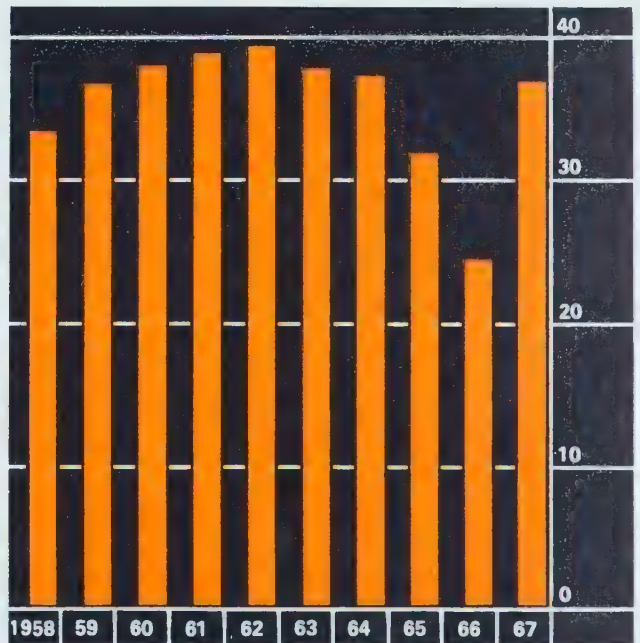
PRODUCT SALES

Thousands of barrels per day



CRUDE OIL PRODUCTION

Thousands of barrels per day



NATURAL GAS SALES

Millions of cubic feet per day

ULTRAMAR GROUP

REPORT ON OPERATIONS



LONDON OFFICE :— JOHN OWERS AND CAMPBELL NELSON



NEW YORK OFFICE :— LLOYD BENSEN, ARNOLD LORBEER
AND RICHARD THOMPSON

The operating companies of the ULTRAMAR GROUP are listed on page 6 and their worldwide activities are shown on the map on page 17. The senior management of the operating companies is listed on page 7.

The Group's gross revenue, cash flow from operations and net profits increased for 1967 as shown on the opposite page.

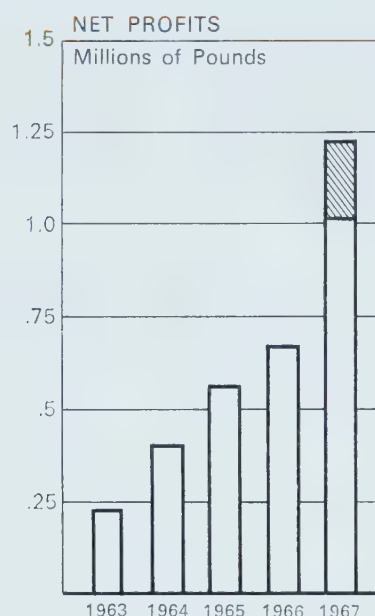
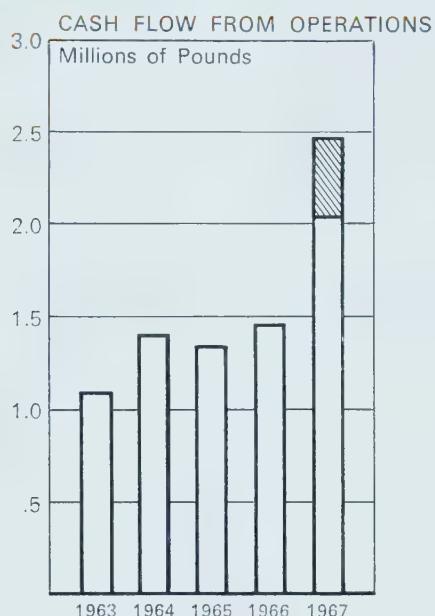
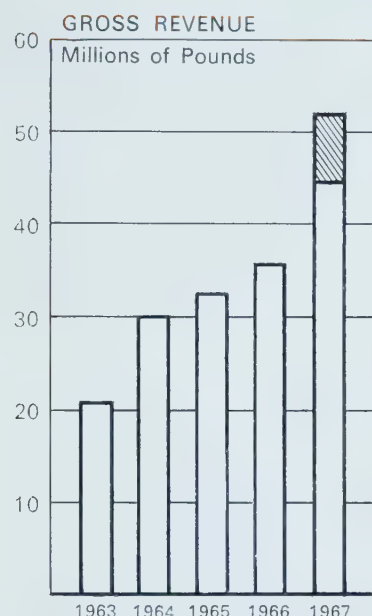
Since the operations of the Group are almost all outside the sterling area, a part of the large increase in revenue, cash flow and profits for 1967 in terms of sterling resulted from the recent devaluation of the pound. The increment in 1967 due to this factor is hachured in the graphs on page 11. The Ultramar Group continued its excellent growth record in 1967 before taking devaluation into account, and the return (net profit) on stockholders' equity increased to over 10 per cent.

The Ultramar Group is selling approximately 59,000 barrels per day of refined products in various markets. We are continuing to seek out special situations and to expand our marketing in certain areas where there are exceptional opportunities for growth.

The wholly-owned refineries in California and Newfoundland have been revamped and modernisation of plant continues each year. The Panama refinery is undergoing a major revamp, and throughput is being increased to 75,000 barrels per day. The Ultramar Group has a one-third interest in this Panama refinery.

Since crude oil production of the operating companies is only about 13,300 barrels per day, both crude and product supply contracts to meet the balance of the marketing requirements have been entered into with a major oil company. Meanwhile, we have stepped up the campaign to explore for and develop crude oil reserves of our own. In 1967, we participated in the drilling of 34 wells in the United States and Canada. On the exploration side, we have not met with much success to date. Small interests have recently been acquired in large blocks of lands in offshore Ecuador, offshore Holland, the Mackenzie Basin and in the Bahamas. Exploration work on these lands will begin in 1968 and will continue over the next few years. We are also re-examining the situation in Venezuela where some drilling opportunities still exist on our concessions. Our change of attitude in Venezuela is partly motivated by a better relationship between the oil companies and the Government. In 1967 we settled the claims for back taxes assessed against our Venezuelan companies.

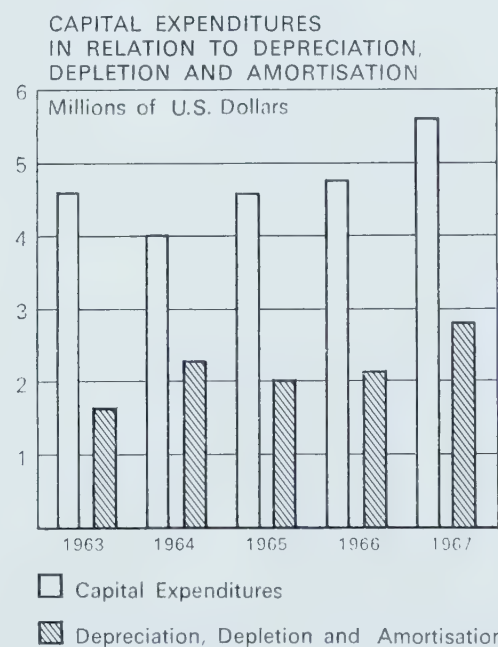
An important development in 1967 was the acquisition of part ownership in a number of ocean-going tankers. The Group has acquired such ownership in five medium-size tankers, and also has two additional tankers under long-term charter. This protected the operating companies against wide fluctuations in shipping rates which arose because of the Suez crisis. The Group is also building two self-propelled barges in a United States shipyard at a cost of \$1,500,000. These barges will be used for bunkering ships in Panama waters. Acquisition of the ocean-going tankers and construction of the self-propelled barges has been financed largely by United States banks.



Through the past five years, the operating companies have invested sums of money in capital projects which have been in excess of the depreciation, depletion and amortisation charges on existing facilities and equipment. This policy is now beginning to show results in increased profits. Because very little new equity capital was available, the capital expenditures in excess of depreciation, depletion and amortisation were met out of retained earnings and by borrowings. High interest rates, arising out of the latter, have been holding down profits. The chart on the right shows the Group capital expenditures related to depreciation, depletion and amortisation.

There is a place for relatively small, integrated, international oil companies. The absence of a large managerial bureaucracy gives us the flexibility to act quickly and take advantage of business opportunities in any part of the world. The unsettled international situation, political difficulties in Latin America, increasing taxes, exchange restrictions and devaluation are obstacles for all companies, but we have learned to live with them. We look to the future with confidence and envisage continued growth and increased earnings in 1968.

The following paragraphs give details of 1967 results by geographical divisions.





MONTREAL OFFICE :— JAMES ALLAN AND PAUL BOYD

CANADA

Production and Exploration

For 1967, our crude oil production in Western Canada amounted to 365,071 barrels for an average of 1,000 barrels per day. This is about the same as in 1966. Our gas production in Western Canada for 1967 totalled 787,496 thousand cubic feet for an average of 2,158 thousand cubic feet per day. This is a small increase over 1966. Towards the end of 1967, we acquired an interest in the Whiteside Gas Field in Saskatchewan which is expected to add substantially to the gas production and to profits in 1968.

A limited amount of exploration is being carried out in the Provinces of Alberta, Saskatchewan and Manitoba and small interests are also held in large land plays in the Mackenzie Basin of the Northwest Territories and in the Arctic Islands. In partnership with another company, we have the right to acquire leases over large tracts of exploration acreage in Newfoundland. At the end of 1967 in Canada, the Group had an interest in 5,035,924 gross acres, equivalent to 769,887 net acres.

During 1967, the Group participated in the drilling of 28 wells in Western Canada, of which 9 were exploratory and 19 were development wells. Two exploratory and 16 development wells were completed as oil producers, equivalent to 8 net wells for the Group. The new oil wells and an increased rate of drilling in 1968 are expected to be reflected in increased oil production.

Golden Eagle Exploration, which was formed in 1966 with headquarters in Calgary, has been investigating exploration and acquisition possibilities in Canada, the United States and other parts of the world.

Refining and Terminalling

Golden Eagle Canada's refinery at Holyrood, Newfoundland, in 1967 processed 3,263,581 barrels of crude oil for an average of 8,942 barrels per day. The full effects of the revamp were not apparent in 1967 because of long delays in deliveries of key pieces of equipment and because of the fact that some of the new units did not perform as expected. However, the revamp was showing some results by the last quarter of 1967 when a throughput of 10,517 barrels per day was achieved. The Company has under consideration the construction of a small propane plant as an adjunct to the refinery.

In the Province of Newfoundland, Golden Eagle constructed a new marine terminal at Harbour Grace with storage capacity of about 70,000 barrels and leased a marine terminal with a capacity of approximately 15,000 barrels at St. Anthony at the extreme northern tip of Newfoundland. Additions to tankage were also made at the Botwood and Marystown terminals and tankage was leased at Harmon Base near Stephenville on the west coast of Newfoundland. Total storage capacity in the Province of Newfoundland is in excess of 1,800,000 barrels. In the Provinces of Quebec and Ontario, there is storage capacity of over 1,400,000 barrels.

Marketing

Golden Eagle markets a full line of petroleum products in Eastern Canada, some of which are manufactured by the refinery in Newfoundland and some of which are imported from the Caribbean. Petroleum product sales for 1967 averaged 24,214 barrels per day compared with 22,259 barrels per day for 1966. Sales volume is expected to continue to increase in 1968.



GOLDEN EAGLE TRUCK SERVICING CANADIAN NATIONAL RAILWAYS LOCOMOTIVE IN NEWFOUNDLAND

In the Province of Newfoundland, Golden Eagle has 128 branded gasoline service stations of which 20 are along the new Trans-Canada Highway. The map below shows the geographical distribution of Golden Eagle's terminals and bulk plants in Newfoundland and also shows the route of the Trans-Canada Highway. In the Province of Quebec and Eastern Ontario we have 209 branded service stations of which 160 are owned by the Company. In addition, the Group has purchased a number of small companies with service stations which market under independent brands.

Golden Eagle has its own credit card system for gasoline stations and has a furnace financing programme in conjunction with the retail sale of heating oils to homes and industrial plants. For the distribution of products in the various provinces of Eastern Canada about 250 Golden Eagle branded trucks are in use, of which over 100 are company-owned. In addition to retail gasoline and heating oil sales, Golden Eagle sells products to government and industrial accounts. The company also supplies a large portion of the fuel requirements of the iron ore industry in Labrador and all of the asphalt requirements of Newfoundland.





LOS ANGELES OFFICE :—
DAVID ORECK

UNITED STATES

Production and Exploration

Crude oil production for 1967 totalled 59,886 barrels for an average of 164 barrels per day. Gas production for 1967 was 289,252 thousand cubic feet for an average of 792 thousand cubic feet per day. Six exploratory wells were drilled in various parts of the United States in 1967 but all were abandoned. Drilling costs on abandoned lands were written off against profits in the year 1967. As of the end of 1967, the Group had interests in 43,138 gross acres of leases in the United States, equivalent to 17,546 net acres. Exploration drilling is continuing in 1968, and wells have been sited in the states of California, Montana and Wyoming.

Refining and Terminalling

In 1967, the Golden Eagle refinery in Los Angeles processed a total of 4,531,544 barrels for an average of 12,415 barrels per day. This compares with 11,829 barrels

per day for 1966. Approximately 50 per cent of the 1967 throughput was crude oil purchased locally and the balance was imported from the Caribbean.

A revamp of the Los Angeles refinery in 1967, which involved the addition of heaters and the conversion of two towers, has enabled Golden Eagle to manufacture different grades of jet fuel and to increase its profit potential.

In the Los Angeles area, Golden Eagle has over 1,400,000 barrels of storage capacity for crude oil and petroleum products. There is a 42-mile pipeline system which links the various terminals and the refinery with storage facilities of other companies.

Marketing

In 1967 a total of 7,825,200 barrels of petroleum products was sold on the West Coast of the United States. This is equivalent to an average of 21,439 barrels per day compared with 18,514 barrels per day for 1966. Golden Eagle continues to be the largest independent supplier of jet fuels to United States Government Agencies on the West Coast and is currently manufacturing and supplying over 8,000 barrels per day of these fuels. The Company is also a major supplier of gasoline to independent retail dealers and of marine fuels to the U.S. Navy.



THE 30,000 TON TANKER "T/T PENNANT", PARTLY OWNED BY THE ULTRAMAR GROUP, DISCHARGING UNFINISHED NAPHTHA AT GOLDEN EAGLE'S LOS ANGELES MARINE TERMINAL



CARACAS OFFICE :— FRANK KAY, WILLIAM ROBINSON,
FRANCISCO REYES AND GORGAS GARRIGA

CARIBBEAN

Production and Exploration

Crude oil is being produced in Central Venezuela by the Mercedes Company, in which we have a 50 per cent interest, and in the Oritupano Field in Eastern Venezuela in which we also own 50 per cent. For the year 1967, our share of crude oil production totalled 4,420,809 barrels for an average of 12,112 barrels per day. This represents a reduction of about 12 per cent from 1966 and is due to natural decline. Our share of Mercedes gas production for 1967 totalled 12,364,393 thousand cubic feet, or an average of 33,875 thousand cubic feet per day. This is more than a 50 per cent increase over

1966 and results from the removal of Government restrictions. There was no acreage reduction in Venezuela in 1967 and Caracas Petroleum continues to hold a 50 per cent interest in a total of 312,500 acres in the Mercedes and Oritupano areas.

The Group has acquired exploration acreage in the Bahamas Islands and an interest in concessions in the Gulf of Guayaquil, Ecuador. Exploration work in these areas is expected to be carried out over the next few years.

Marketing

Most of the products which the Group obtains from the Panama refinery are transported to and sold by Canadian and Californian affiliates. Some of the gasoline and middle distillates are marketed locally in the Republic of Panama and the Canal Zone, and also sold in cargo lots to Europe and elsewhere. Marine diesel and heavy fuel oil are marketed locally for use as marine bunkers. Aside from sales to sister companies, petroleum product sales of the Caribbean division averaged 13,255 barrels per day.

Two Scammell 32-ton tractors have been purchased in the U.K. and are being used with trailers in Panama to transport light petroleum products from the refinery to local distributors.



30,000 BARREL SELF-PROPELLED BARGE "GOLDEN PETREL" READY FOR LAUNCHING AT BEAUMONT, TEXAS



MAIN GAS COMPRESSOR STATION IN MERCEDES FIELD
IN VENEZUELA



SCAMMELL TRUCKS, MADE BY THE LEYLAND GROUP FOR
GOLDEN EAGLE, LOADING GASOLINE AT PANAMA REFINERY

The marine bunkering operations of Golden Eagle Panama are of increasing importance to the Group's marketing activities. Fuel oil is delivered to customers' vessels by means of small coastal tankers. This service is being modernised and expanded by the construction of two 30,000 barrel capacity self-propelled barges which will be in operation by the middle of 1968.

Royalty Interests

The Ultramar Group received in 1967 a substantial income from overriding royalties in Venezuela. This income, which was above the 1966 level because of increased production in Venezuela resulting from the Suez crisis, is expected to decrease in 1968.

Refining

In January of 1968, Ultramar Panama paid the fourth of five equal annual instalments to acquire one-third of the capital stock of Refineria Panama, a

Panamanian corporation which owns a refinery near the City of Colon close to the Atlantic entrance of the Panama Canal. This refinery ran at an average of about 55,000 barrels per day of crude oil in 1967. The Ultramar Group sells crude oil to the refinery equivalent to one-third of the throughput and purchases the products obtained from these crude runs. The Group's sales of crude oil to the refinery for the year 1967 totalled 6,679,666 barrels, or an average of about 18,300 barrels per day, which is down slightly compared with 1966. The refinery is being expanded and by the middle of 1968 capacity will be increased to about 75,000 barrels per day.

OTHER AREAS

In 1968, the operating companies will be extending their operations into other areas. Exploration for oil and gas will begin on a small scale in Europe and Africa. Specialised marketing will also be expanded into new areas that give promise of profitability.

B. L. Nelson

Deputy Chairman and Managing Director
Ultramar Company Limited.

A. Lorbeer

Chief Executive Officer of
Operating Companies.

ULTRAMAR GROUP

WORLDWIDE ACTIVITIES



ULTRAMAR GROUP

SUMMARISED FINANCIAL RESULTS

ULTRAMAR—						1967	1966	1965	1964	1963
Issued and Fully-Paid Capital ...	...	...	...	...	...	£4,355,690	£3,944,088	£3,628,790	£3,627,754	£3,626,235
Share Premium Account ...	...	...	...	...	...	3,746,884	3,997,847	4,159,073	4,158,821	4,157,771
Exchange Surplus ...	...	...	...	...	...	1,339,798	1,339,798	1,339,798	1,614,049	1,015,618
Loan Stock outstanding ...	...	...	...	...	...	3,142,300	3,142,300	3,145,450	3,145,800	3,147,300
Investments in Subsidiary Companies...	...	...	...	...	...	11,048,224	10,875,722	10,674,784	10,935,032	10,092,156
Number of Stockholders :										
Ordinary ...	...	...	...	...	...	15,516	15,394	15,769	16,087	16,370
Loan...	...	...	...	...	...	2,883	2,862	2,911	2,870	2,959

ULTRAMAR GROUP—

Revenue ...	...	...	...	...	...	£51,437,473	£35,823,665	£32,758,794	£30,093,546	£20,694,993
Charges ...	...	...	...	...	...	48,184,653	33,867,111	31,001,135	28,239,856	19,271,248
Amortisation, Depreciation and Depletion ...	...	...	...	...	...	1,141,598	737,449	701,096	810,815	579,914
Net Income (before Taxation) ...	...	...	...	...	...	2,111,222	1,219,105	1,056,563	1,042,875	843,831
Taxation ...	...	...	...	...	...	798,210	490,268	424,675	465,092	359,546
Attributable to Outside Shareholders ...	...	...	...	...	...	72,885	50,106	74,379	179,826	255,504
Profit for Year ...	...	...	...	...	...	1,240,127	678,731	557,509	397,957	228,781
Fixed Assets and Capital Expenditure (net) ...	...	...	...	...	...	£16,179,347	£14,527,320	£14,257,442	£13,038,190	£13,178,086
Investments and Rights in Associated Companies ...	...	...	...	...	...	3,620,401	2,227,205	1,869,966	2,199,240	2,601,507
Long-term Receivables ...	...	...	...	...	...	205,000	533,868	733,936	776,952	488,422
Net Current Assets ...	...	...	...	...	...	3,769,003	3,518,208	4,503,312	4,280,083	2,861,284
Mortgages, Secured and Unsecured Loans ...	...	...	...	...	...	8,667,259	7,678,074	8,504,332	8,053,239	6,652,320

ULTRAMAR COMPANY LIMITED

BALANCE SHEET at 31st December, 1967

1966		1967	
£	£	£	£
		AUTHORISED CAPITAL—	
	3,944,088	Stock	4,355,690
	2,055,912	3,288,620 Unissued Shares of 10/- each	1,644,310
	<u>£6,000,000</u>		<u>£6,000,000</u>
		CAPITAL AND RESERVES—	
		ISSUED AND FULLY-PAID CAPITAL :	
	3,944,088	8,711,380 Stock Units of 10/- each	4,355,690
		CAPITAL RESERVES :	
	3,997,847	Share Premium Account	3,746,884
	1,339,798	Exchange Surplus	1,339,798
	<u>5,337,645</u>		<u>5,086,682</u>
	(339,875)	PROFIT AND LOSS ACCOUNT	57,942
	8,941,858		<u>9,500,314</u>
		UNSECURED LOANS—	
	3,142,300	7 PER CENT UNSECURED LOAN STOCK 1975/78	3,142,300
	255,000	7½ PER CENT UNSECURED LOAN	205,000
	<u>3,397,300</u>		<u>3,347,300</u>
	£12,339,158		<u>£12,847,614</u>
		<i>Represented by :</i>	
		INVESTMENTS IN SUBSIDIARY COMPANIES—	
	3,849,178	SHARES AND CONVERTIBLE DEBENTURES	4,014,273
	7,026,544	ADVANCES	7,033,951
	<u>10,875,722</u>		<u>11,048,224</u>
		ACCUMULATED COST OF RAISING FUNDS to date,	
	1,236,637	Interest and other Expenses, less Miscellaneous Revenue from	
		30th May, 1935, to 31st December, 1952	1,236,637
	<u>12,112,359</u>		<u>12,284,861</u>
	255,000	LONG-TERM RECEIVABLE	205,000
		NET CURRENT ASSETS—	
	684	DEBTORS	1,755
	119,215	BANK BALANCES AND CASH IN HAND... ..	414,836
	<u>119,899</u>		<u>416,591</u>
	148,100	Less : CURRENT LIABILITIES	58,838
	<u>(28,201)</u>		<u>357,753</u>
		TANGLEY } C. L. NELSON } <i>Directors.</i>	
	<u>£12,339,158</u>		<u>£12,847,614</u>

The Notes on pages 22 to 25 form part of these Accounts.

ULTRAMAR COMPANY LIMITED

AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET at 31st December, 1967

1966	1967
£	£
£6,000,000	£6,000,000
AUTHORISED CAPITAL OF ULTRAMAR COMPANY LIMITED	
CAPITAL AND RESERVES—	
ISSUED AND FULLY-PAID CAPITAL :	
3,944,088	4,355,690
	8,711,380 Stock Units of 10/- each
CAPITAL RESERVES :	
3,997,847	3,746,884
943,621	Statutory and Capital Reserves
1,339,798	943,621
(765,220)	Exchange Surplus
	1,339,798
5,516,046	Surplus on Consolidation... ..
	231,065
499,386	6,261,368
9,959,520	REVENUE RESERVE :
	Profit and Loss Account
	1,325,020
	11,942,078
LOANS—	
3,142,300	7 PER CENT UNSECURED LOAN STOCK 1975/78... ..
7,678,074	3,142,300
10,820,374	MORTGAGES, SECURED AND UNSECURED LOANS
	8,667,259
£20,779,894	11,809,559
	£23,751,637
<i>Represented by :</i>	
FIXED ASSETS AND CAPITAL EXPENDITURE (Less :	
14,547,669	Amortisation, Depreciation and Depletion of £7,496,663)
20,349	16,196,538
14,527,320	Less : Capital Expenditure Reserve
	17,191
2,227,205	16,179,347
16,754,525	INVESTMENTS AND RIGHTS IN ASSOCIATED
533,868	COMPANIES
	3,620,401
	19,799,748
	LONG-TERM RECEIVABLE
	205,000
NET CURRENT ASSETS—	
STOCKS OF CRUDE OIL, REFINED PRODUCTS AND SUPPLIES	
3,614,874	at the lower of cost and net realisable price
6,942,831	3,845,445
34,179	DEBTORS
399,720	8,643,310
10,991,604	GOVERNMENT BONDS
7,473,396	34,681
3,518,208	BANK BALANCES AND CASH IN HAND
20,806,601	1,091,249
26,707	13,614,685
£20,779,894	Less : CURRENT LIABILITIES
	9,845,682
	3,769,003
	23,773,751
<i>Deduct : OUTSIDE SHAREHOLDERS' INTEREST IN NET</i>	
ASSETS OF SUBSIDIARY COMPANIES	
TANGLEY } <i>Directors.</i>	
C. L. NELSON }	
	22,114
	£23,751,637

The Notes on pages 22 to 25 form part of these Accounts.

ULTRAMAR COMPANY LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the years ended 31st December, 1967 and 1966

	Year Ended 31st December,	
	1967 £	1966 £
REVENUE—		
Sales of Crude Oil, Refined Products and Natural Gas	49,917,612	34,721,792
Royalties	1,067,769	852,249
Equity in Earnings of S.A.P. Las Mercedes (1966, dividend received) ...	72,532	52,963
Interest and other Income... ..	253,107	117,256
	<u>£51,311,020</u>	<u>£35,744,260</u>
CHARGES—		
Net Purchases of Crude Oil and Refined Products	40,717,963	28,466,622
Operating Expenses	4,904,062	3,456,395
General and Administrative Expenses	1,749,938	1,237,718
Interest on Loans	592,729	486,231
Interest on Loan Stock	219,961	220,145
	<u>48,184,653</u>	<u>33,867,111</u>
AMORTISATION, DEPRECIATION AND DEPLETION	1,141,598	737,449
	<u>£49,326,251</u>	<u>£34,604,560</u>
NET INCOME (before Non-Recurring Income and Taxation)	£1,984,769	£1,139,700
Non-Recurring Income	126,453	79,405
NET INCOME (before Taxation)	<u>2,111,222</u>	<u>1,219,105</u>
TAXATION	798,210	490,268
	<u>1,313,012</u>	<u>728,837</u>
Profit attributable to Outside Shareholders	72,885	50,106
PROFIT ATTRIBUTABLE TO ULTRAMAR GROUP	<u>1,240,127</u>	<u>678,731</u>
Surplus at 1st January, 1967	499,386	126,944
	<u>1,739,513</u>	<u>805,675</u>
Adjustment relating to Prior Years	253,556	38,432
Transfer to Capital Expenditure Reserve	160,937	267,857
Surplus at 31st December, 1967... ..	<u>£1,325,020</u>	<u>£499,386</u>

The Notes on pages 22 to 25 form part of these Accounts.

NOTES ON THE ACCOUNTS FOR 1967

(These Notes form part of the Accounts now presented)

1. Share Capital :

(a) The following shares (subsequently converted into Stock) were issued during 1967 :—

Capitalisation Issue to Stockholders made on 11th August, 1967 (at nominal value)	...	...	...	493,012
Additional shares issued to former Stockholders of Golden Eagle of Panama (at nominal value)	...	...	...	330,191
				<u>823,203</u>

(b) The shares issued to the former Stockholders of Golden Eagle of Panama were issued under the Exchange of Stock Agreement dated 9th December, 1959, as subsequently amended, as part of the contingent consideration for the purchase by Ultramar of all the shares in Golden Eagle of Panama. At 31st December, 1967, a further 66,677 shares remained to be issued.

(c) Under the Stock Option Plan for Directors and Employees of operating Subsidiary Companies, options have been granted on various dates between 23rd March, 1961, and 31st December, 1967, on 128,000 Ultramar shares at a price of 29s. 10½d. and on 258,000 shares at a price of 28s. 6d. An option may not be exercised within two years nor later than ten years from the date it was granted.

2. Capital Reserves :

Movements during the year have been as follows :—

(a) Share Premium :

Capitalisation Issue to Stockholders made on 11th August, 1967, plus expenses	...	...	£250,963
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(b) Surplus on Consolidation :

Deficit at 1st January, 1967	...	...	...	...	...	...	...	...	...	£765,220
Add : Nominal value of additional shares issued to former Stockholders of Golden Eagle of Panama	...	...	...	...	...	...	...	...	...	£165,095
Excess of cost of shares in Subsidiary Companies over net book value of assets acquired	...	...	...	...	...	...	...	...	...	112,209
										<u>277,304</u>
										1,042,524
Less : Exchange surplus arising through the sterling devaluation and change in basis of conversion of Fixed Assets in Venezuela	...	...	...	...	...	...	...	...	...	1,273,589
Surplus at 31st December, 1967	...	...	...	...	...	...	...	...	...	<u>£231,065</u>

3. Investments in Subsidiary Companies :

(a) Investments in and advances to Subsidiary Companies are shown at cost or nominal value of Ultramar shares allotted as purchase consideration, less £10,922 written off.

(b) The amount of the investment in Golden Eagle of Panama will be increased by the nominal value of the additional Ultramar shares issuable in accordance with the agreement referred to in Note 1 (b), when such shares are issued.

(c) At the rates of exchange ruling at 31st December, 1967, the repayment of all advances would produce a surplus over book value of £1,079,561.

NOTES ON THE ACCOUNTS FOR 1967

(d) At 31st December, 1967, the accounts of Golden Eagle of Panama show assets of £1,438,836, including £835,491 for the right to construct a Petrochemical Plant (see Note 4 (b)), and current liabilities of £837,201. The investment in and advances to Golden Eagle of Panama by Ultramar and its Subsidiary Companies amounts to £1,292,554 and to this extent it is not possible to express an opinion as to the value of the investments in and advances to Subsidiary Companies.

4. Fixed Assets and Capital Expenditure :

Fixed Assets and Capital Expenditure standing in the Consolidated Balance Sheet at £16,196,538 are as follows and are shown at foreign currency cost converted at the rates of exchange ruling at 31st December, 1967, less amortisation, depreciation and depletion except where otherwise noted :—

£	1966	£	£	1967	£
			CARIBBEAN DIVISION :		
			Interests in Oil and Gas Properties, Pipeline, Terminal, Plant and Equipment, less Depreciation and Depletion £2,666,678 (1966, £2,499,087)		
		2,600,295			2,439,860
		544,983			514,107
		908,437			636,061
		901,470			835,491
		250,000			291,667
		<u>5,205,185</u>			<u>4,717,186</u>
			CANADIAN DIVISION :		
			Interests in Oil and Gas Properties, Refinery, Plant and Equipment, less Amortisation, Depreciation and Depletion £2,154,847 (1966, £1,457,665)		
		5,797,213			7,131,659
		1,162,611			1,368,155
		<u>6,959,824</u>			<u>8,499,814</u>
			U.S.A. DIVISION :		
			Interests in Oil and Gas Properties, Refinery, Land, Plant and Equipment, less Amortisation, Depreciation and Depletion £1,006,765 (1966, £746,548)		
		2,382,660			2,979,538
		<u>£14,547,669</u>			<u>£16,196,538</u>

(a) Fixed Assets and Capital Expenditure in Venezuela were previously converted at the rate of exchange ruling prior to the devaluation of the bolivar in January, 1964 (Bs. 8·65 to £1), or at subsequent purchase. Fixed Assets and Capital Expenditure in other areas were converted at the rates of exchange ruling at the year end.

(b) Under the agreement referred to in Note 5, Golden Eagle of Panama has an option to acquire land adjacent to the Las Minas refinery of Refineria Panama on which to construct a petrochemical plant. This option can be withdrawn if not exercised within sixty days of notice being given. The amount of £835,491 which has been assigned to this right represents part of the expenditure in connection with the project for the construction of a refinery and petrochemical plant at Portobelo which is not being continued. The value of this right is dependent upon future developments and no opinion can be expressed as to its value at 31st December, 1967.

(c) The deposits and bonds of £291,667 were made as a guarantee of Golden Eagle of Panama's performance under a contract with the Republic of Panama and as a pre-payment of duties or taxes.

(d) Capitalised Development Expenses in the Canadian Division include £1,333,524 costs and expenses, less sales, of Golden Eagle of Canada from commencement of operations in 1960 to the end of 1963. In the view of the management of the Company, such amounts were development costs necessary to establish the Company in business and accordingly have been capitalised. The net costs accumulated to 31st December, 1963, will be amortised over a period of thirty years commencing 1st January, 1970.

(e) Interests in Oil and Gas Properties, Refinery, Land, Plant and Equipment in the U.S.A. Division include land in California at an independent valuation by Mat Graham Co. dated 8th June, 1965, of £1,236,250.

NOTES ON THE ACCOUNTS FOR 1967

5. Investments and Rights in Associated Companies :

1966		1967
£		£
414,218	Mercedes—Shares, less account payable	485,650
—	Corinthian Shipping—Shares	5,417
—	Cosmic Shipping & Enterprises—Shares and Advances	532,923
—	Stratford Shipping—Shares	53,839
9,821	Vista Stations—Shares and Advances ..	—
893	San Fernando Stations—Shares	—
	Refineria Panama :	
1,132,881	Right to acquire Investment	1,238,361
545,333	Shares and Advances	1,058,500
124,059	Share of Capital Additions to Refinery, less Depreciation £17,967 (1966, £6,529)	245,711
		<u>2,542,572</u>
<u>£2,227,205</u>		<u>£3,620,401</u>

(a) The investment in Mercedes is included at equity value (previously at cost, less £469,977 written off). Other investments are included at cost.

(b) In 1962, Ultramar Panama entered into an agreement which, as subsequently amended, provides for the acquisition of a one-third interest in the refining interests of Refineria Panama over the years 1965 to 1969. The amount of £1,238,361 assigned to the right to acquire this interest represents part of the costs and expenses incurred in connection with the project for a refinery and petrochemical plant at Portobelo less £250,000 being 60 per cent of a credit allowed under the agreement as consideration for expenditures in connection with the proposed refinery. The Portobelo site has been made available to Refineria Panama under the agreement which also provides that :

- (i) 20 per cent of the one-third interest will be purchased in each of the five calendar years commencing in 1965. Should Ultramar Panama fail to purchase an instalment in any of these years, its right to acquire the balance of the one-third interest will terminate and shares in Refineria Panama previously acquired must be sold for 1 per cent of the purchase price. The instalments due on 31st January in each of the years 1965 to 1968 have been purchased on the due dates.
- (ii) The purchase price will be equal to one-third of the outstanding capital stock and subordinated advances of Refineria Panama (£1,590,555 at 31st December, 1967) less £416,667 being the total of the credit referred to above. In addition, Ultramar Panama is responsible for its share of capital additions to the refinery, which amount is being depreciated over a 20-year period. No provision has been made in these Accounts for the balance of the purchase price.
- (iii) Ultramar and its operating Subsidiary Companies shall jointly and severally agree to indemnify Refineria Panama and others with respect to their obligations and liabilities under certain insurance company loans. The maximum contingent liability under the indemnification agreements at 31st December, 1967, was approximately £2,000,000.

6. Capital Expenditure Reserve :

During 1967, £164,095 amortisation and depletion of expenses capitalised to 31st December, 1956, was charged to Capital Expenditure Reserve (1966, £231,273 and £94,476 in respect of royalty rights renounced).

7. Loans :

At 31st December, 1967, Mortgages, Secured and Unsecured Loans comprised :

- (i) Mortgage Loans (£1,561,981) :
 - (a) A first mortgage on the Newfoundland Refinery of Golden Eagle of Canada of £1,125,000 repayable by semi-annual instalments to 30th June, 1972.
 - (b) A second mortgage on the Newfoundland Refinery of £346,154 repayable by quarterly instalments to 30th April, 1972.
 - (c) Loans to Golden Eagle of Canada and its subsidiary companies of £90,827 secured on various properties repayable in monthly instalments.
- (ii) Secured Bank Loans to Subsidiary Companies totalling £6,900,278 of which £664,018 is repayable in 1968.
- (iii) An Unsecured Loan of £205,000 of which £50,000 is repayable in 1968.

8. Contingent Liabilities :

- (a) Ultramar has guaranteed Mortgages and Secured Bank Loans of Subsidiary Companies totalling £4,535,256.
- (b) Ultramar has given indemnities in respect of obligations of Subsidiary Companies with a maximum liability of £2,041,667 in addition to the indemnity mentioned in Note 5 (b) (iii).
- (c) The terms of leases of terminal facilities and gasoline stations granted to Golden Eagle of Canada have been guaranteed by Ultramar. The leases are for periods of up to 25 years and the annual rentals presently payable amount to £556,224.
- (d) Ultramar has guaranteed the performance of its subsidiary companies under long-term charters of five tankers. The minimum aggregate annual commitment under the charters is approximately £1,810,000 until 1972 and lesser amounts thereafter until 1977.
- (e) Golden Eagle of Canada has guaranteed bank loans to certain customers totalling £184,615.

NOTES ON THE ACCOUNTS FOR 1967

9. Capital Commitments :

Ultramar Panama's share of the cost of the expansion of the Panama refinery will be approximately £472,000. Of this amount, £104,167 had been paid at 31st December, 1967. Other capital commitments amounted to approximately £970,000 at that date.

10. Directors' Emoluments :

Directors' Emoluments consist of (i) fees in accordance with the Articles of Association £4,750 (1966, £4,750) and (ii) Executive Remuneration £78,467 (1966, £68,852) of which £11,750 (1966, £11,750) was paid by Ultramar and £66,717 (1966, £57,102) was paid by Subsidiary Companies to those Directors who were also Directors of Ultramar.

Pensions paid by Subsidiary Companies to a former Director and the widow of a former Director amounted to £16,797 (1966, £14,400).

11. Taxation :

The charge for taxation of £798,210 consists of Overseas Taxes and is based on the profit for the year. The United Kingdom Tax Liability of £340,000 on the dividend received from a Subsidiary Company during 1967 is covered by relief in respect of Overseas Taxes paid.

Profits retained by Subsidiary Companies will be liable to United Kingdom Taxation when remitted by way of dividend to Ultramar. In addition, Exchange Surpluses arising on the repayment of dollar advances made to Subsidiary Companies prior to the recent devaluation of sterling will be liable to United Kingdom Taxation when such advances are repaid.

12. Auditors' Remuneration :

Auditors' Remuneration—Ultramar £840 (1966, £840).

13. Profit attributable to Ultramar Group :

The Profit attributable to Ultramar Group of £1,240,127 consists of profits of £842,310 (1966, £548,331) retained by Subsidiary Companies and £397,817 (1966, £130,400) dealt with in the accounts of Ultramar Company Limited.

Approximately £220,000 additional net income is included in the Profit attributable to the Ultramar Group arising from the devaluation of Sterling.

14. Adjustment relating to Prior Years :

Settlement of Overseas Taxes covering the years 1960 to 1966—£253,556.

15. Geographical Distribution of Net Assets and Profit for the Year :

					Caribbean	U.S.A. and Canada
Net Assets	...	...	...	...	26%	74%
Profit for the Year	...	...	...	...	52%	48%

By reason of the movements of crude oil and products between producing, refining and marketing areas, it is not practicable to make more than a broad approximation of the portion of net assets and of the profit for the year attributable to any particular geographical Division.

16. Exchange Rates :

Foreign currencies are either Venezuelan bolivars, U.S. dollars or Canadian dollars. Apart from investments in and advances to Subsidiary Companies dealt with in Note 3, all foreign currency items are converted at the rates effective at 31st December, 1967, viz. Bs. 10.56 to £1 (oil company rate), Bs. 10.752 to £1 (free rate), U.S. \$2.40 to £1 or Can. \$2.60 to £1.

REPORT OF THE AUDITORS

TO THE MEMBERS OF ULTRAMAR COMPANY LIMITED

We have examined the annexed Balance Sheet and have obtained all the information and explanations which we consider necessary. In our opinion, proper books have been kept and the Balance Sheet is in agreement therewith.

We have also examined the Consolidated Balance Sheet and Consolidated Profit and Loss Account. The Accounts of the Subsidiaries have been audited by other firms.

In our opinion the Balance Sheet and the Consolidated Accounts, together with the Notes on pages 22 to 25 comply with the Companies Act, 1948, and give respectively a true and fair view of the state of the Company's affairs and a true and fair view of the state of affairs and of the Profit of the Company and its Subsidiaries so far as concerns members of Ultramar Company Limited.

JACKSON, PIXLEY & CO.,
Chartered Accountants.

KENT HOUSE,
TELEGRAPH STREET,
LONDON, E.C.2.

22nd April, 1968.

STOCK EXCHANGE REQUIREMENTS

In accordance with the General Undertaking which the Company has given to The Stock Exchange, London, the following information will be available for inspection at the Registered Office of the Company, 2, Broad Street Place, London, E.C.2, during usual business hours on any weekdays (Saturdays and public holidays excluded) from 6th May to 29th May, 1968, inclusive, and at The Abercorn Rooms (Great Eastern Hotel), Bishopsgate, London, E.C.2, on 29th May, 1968, from 11.45 a.m. until the conclusion of the Meeting :—

- (1) *A statement of transactions of Directors (and of their family interests) in the ordinary Stock of the Company.*
- (2) *A statement in respect of all contracts of service with Directors of the Company.*

The adjusted market value of the Company's Ordinary Stock Units as at 6th April, 1965, for the purposes of long-term Capital Gains Tax is 24s. 2d. calculated as follows :—

<i>The market value at 6th April, 1965, was...</i>	s. d.
	28 3
<i>Deduct : Capital Surplus Distribution paid on 20th December, 1965 ...</i>	9
	27 6
<i>Deduct : Adjustment for one-for-twenty Scrip Issue made in 1966 (1/21st of 27s. 6d.) ...</i>	1 3 $\frac{3}{4}$
	26 2 $\frac{1}{4}$
<i>Deduct : Adjustment for one-for-sixteen Scrip Issue made in 1967 (1/17th of 26s. 2$\frac{1}{4}$d.) ...</i>	1 6 $\frac{1}{2}$
	24 7 $\frac{3}{4}$
<i>Deduct : Adjustment for one-for-fifty Scrip Issue now proposed (1/51st of 24s. 7$\frac{3}{4}$d.) ...</i>	5 $\frac{3}{4}$
	24 2

The Company is not a close company within the meaning of the Finance Act, 1965.



DRILLING IN THE AVON HILL AREA OF WESTERN SASKATCHEWAN

exploration drilling at the same time as the gas and oil fields are being developed.

UK North Sea

A well is being drilled on Block 210/15. When the drilling of this well has been completed it is planned to move the rig to Block 16/29 to drill a follow-up well to the Maureen oil discovery. The Group has a 6 per cent interest in these blocks.

Marine Transportation

The Group has a 100 per cent interest in four tankers and a 50 per cent interest in three tankers, representing a total of approximately 250,000 deadweight tons of controlled shipping. Ice strengthening of ships required for the Quebec operations is being carried out and will be completed in time for the winter season. One other tanker, in which the Group had a 50 per cent interest, was sold at a profit during the half year. Charters for one year or more at rates substantially below present market rates were arranged earlier this year on 13 additional tankers which total about 500,000 deadweight tons. Surplus tonnage, which will increase as the Group's own ice-strengthened ships return to service, is being sub-chartered out at profitable rates.

The Group has 20-year charters on five United States flag vessels. Two of these are 80,500 deadweight ton Ore-Bulk-Oil (OBO) carriers, of which the first has recently been delivered and has been sub-chartered at a favourable rate for 10 years beginning in November. The second OBO will be launched in October and is also under a 10-year sub-charter commencing shortly after its completion. At the present time, these ships are too large for use in the St. Lawrence River because of existing draft limitations. The three other vessels are 86,000 deadweight ton tankers to be delivered in 1974/75.

Financing

The Group continues to investigate longer term financing. As a first step a seven-year loan of 40 million Swiss Francs has been obtained from Union Bank of Switzerland. This loan is repayable on 1st August 1980 and the interest rate is $6\frac{3}{4}$ per cent per annum.

1-2 Broad Street Place
London EC2M 7EP
21st August 1973

AR32

Ultramar Company Limited

Group Results for the
Half Year to 30th June 1973



ULTRAMAR

Ultramar Company Limited

Group Results for the Half Year to 30th June 1973

Financial Results

	<i>Half Year to 30th June 1973</i>	<i>Half Year to 30th June 1972</i>
Sales	<u>£66,805,000</u>	<u>£57,028,000</u>
Operating Profit before Income Tax	<u>3,526,000</u>	<u>2,497,000</u>
Less: Amortisation, Depreciation and Depletion	<u>924,000</u>	<u>687,000</u>
Profit before Income Taxes	<u>2,602,000</u>	<u>1,810,000</u>
Less: Income Taxes	<u>348,000</u>	<u>137,000</u>
Net Profit to Group	<u>£2,254,000</u>	<u>£1,673,000</u>
Earnings per Stock Unit	<u>7.4p</u>	<u>6.2p</u>

The comparative figures for the first half of 1972 have been restated to give effect to the accounting policy for the results of the Quebec operation and to the Exchange Rates adopted in the 1972 whole year Group Accounts. Earnings are mainly in U.S. and Canadian dollars which in the 1972 Accounts were translated into sterling at \$2.35 to £1 compared with \$2.58 to £1 for the first half of 1973.

Operating Results

The Group sold its half interest in the Venezuelan Mercedes Company as at 30th April 1972 and its one-third interest in the Panama Refinery and related marketing as at the end of 1972. The Group's Californian Refinery has been leased to an independent company since 1st March 1970. The following operating results do not include sales of oil products, refinery throughput, oil production and gas production attributable to these interests as from the dates of sale or lease.

Sales of Oil Products (barrels per day)	139,800
Refinery Throughput (barrels per day)	89,300
Oil Production (barrels per day)	10,200
Gas Production (thousand cubic feet per day)	4,400
Oil and Gas Wells completed (in which the Group has varying interests)	6

Results for the First Half of 1973

Californian, Newfoundland, Venezuelan, United Kingdom and shipping operations have all done well. The Quebec operation was put on a full profit and loss basis as at 1st June 1973 and made a contribution to profits during the month of June.

Prospects for the Second Half of 1973

The second half results are expected to be substantially better than those of the first half despite present operations being adversely affected by Canadian Government restrictions on exports of products and by price freezes in various countries.

Quebec Refinery

The Quebec Refinery had an average crude oil throughput of 76,934 barrels per calendar day during the first half of 1973. During this period there was a routine three-week shutdown for repair and inspection of units. Excluding the shut-down period, crude oil runs averaged 85,430 barrels per stream day. The average for the month of July was 103,000 barrels per calendar day.

The repair of the large storage tanks is proceeding satisfactorily and will be completed in time for the winter season. The capacity of the reformer is being increased and other steps have been taken to upgrade products. An asphalt pipeline has been completed to the dock and the Group's Newfoundland asphalt requirements are now being supplied by the Quebec Refinery rather than by purchases in the Caribbean.

Indonesia

Drilling has continued on the 4,390,000 acres in Indonesia covered by a Production Sharing Contract in which the Ultramar Group has a 35 per cent interest. Eleven wells have so far been completed in Badak in East Kalimantan where a major gas-condensate field is being delineated. A small oil field on the same structure is being developed and is expected to begin production by the middle of 1974. Arrangements for production of the gas-condensate are under negotiation to include the construction of a liquefaction plant for LNG and cryogenic vessels for its transportation.

Two exploration wells, one in East Kalimantan and one in Sumatra, were abandoned. Exploration drilling on the numerous attractive structures in both areas is continuing. A fourth rig is currently being shipped to Indonesia to permit stepped-up

ULTRAMAR COMPANY LIMITED

CHAIRMAN'S STATEMENT

The following is the Chairman's Statement delivered by Mr. Campbell Nelson, the Deputy Chairman and Managing Director, in the absence of the Chairman, Lord Tangle, at the Thirty-second Annual General Meeting of the Company held at the Abercorn Rooms, Bishopsgate, London, E.C.2, on 29th May, 1968.

LADIES AND GENTLEMEN,

The Report of the Directors and the Report on Operations of the Ultramar Group give full information on the results for 1967 which yielded a record gross revenue of over £51,000,000, a cash flow from operations of £2,450,000 and a net profit of £1,240,000, after charging income taxes of nearly £800,000. The net profit for 1967 was 82 per cent. more than for 1966.

At the risk of repeating what has been said in previous years, I might remind you that up to 1959 the business of the Group was concentrated entirely in the production side of the oil industry. In that year we made a major decision to establish facilities for refining and to create outlets for marketing oil products. Our first step was to acquire the Panama Company in 1960 which at that time had a project to build a refinery in Panama and owned Golden Eagle of California with its small refinery in Los Angeles and a marketing organisation selling about 15,000 barrels per day of oil products along the west coast of the U.S.A. Shortly after we formed Golden Eagle of Canada and started to build the Newfoundland refinery and to create from scratch a marketing organisation in eastern Canada. For the first three years we had to take losses and incur considerable start-up expenses. The story since then has been one of growing profitability year by year and of expansion and diversification as will be seen from the Annual Report.

In 1968 we are seeing a further growth in our operations and in our profitability. Sales of oil products for the first four months averaged about 70,000 barrels per day compared with 59,000 barrels per day for 1967. Financial results for that period indicate that we will have a very good first half. We shall be publishing the financial and operational results for the first half of the year in August. The second half is more difficult to forecast. However, our expansion and momentum of progress is such that I shall be surprised if net profits for 1968 are not well above those for 1967.

Our retail marketing of oil products is concentrated primarily in eastern Canada, Panama and the Pacific Coast of the United States. Of particular note is the expansion of our Panama marine bunkering. Our two new 30,000-barrel self-propelled barges will be going into operation next month. These two vessels were commissioned at the Bethlehem Steel Corporation's shipyard on 21st May and we believe they are the best equipped and most efficient bunkering vessels in the world. They will be operated under the Panamanian flag and will supply all types of marine fuel to ships in transit through the Panama Canal.

The full results of the refinery expansion in Newfoundland are now being felt and refinery runs are 20 per cent. greater than in 1967. Further improvements are being made to this refinery and a small propane plant is also being constructed adjacent to the refinery. The Los Angeles refinery is being improved and is operating well. The expansion of the Panama refinery will give us an additional 5,000 barrels per day of products in the second half of 1968.

In Venezuela, the drastic steps taken in recent years to cut costs have become effective and are giving us a lower cost per barrel of oil produced. In the Oritupano fields, a number of new wells will be drilled in the second half of this year.

Our gross Venezuelan royalties for 1967 amounted to £1,067,000, an increase of £215,000 over 1966. There is very heavy Venezuelan taxation on this income. Since the 1967 increase was primarily due to the Middle-East crisis, we expect that income from this source will be lower in 1968.

As stated last year, the exploration for and development of further oil reserves must remain an important part of our policy if we are to operate as an integrated oil Group. We have a programme of exploration in Canada and the U.S.A. although the amounts which we are currently spending are modest. We have relatively small percentage interests in exploration rights in coastal Ecuador and in the North Sea off the Dutch coast. We have also acquired an exploration licence in the Bahamas and we have applied for concessions in other parts of the world. Of particular importance is an application we recently made to the Portuguese Government for an oil concession in the Province of Angola consisting of about 1,800,000 acres, of which approximately 50 per cent. are off-shore. This

application has now been published in the Government Gazette of Angola and we are hopeful that we will in due course be granted this concession on satisfactory terms. We will be taking in a 50 per cent. partner on this venture.

Apart from our long-range plans we are also alert to special situations in selected growth areas which promise rapid returns. Along this line we are acquiring an interest in two dry cargo ships operating under the American flag. In the Annual Report you will see we have previously acquired interests in five ocean-going oil tankers. Marine transportation and bunkering of ships are gradually becoming an important part of our business.

To complete the picture of our expanding business, I would add that we have a number of projects under consideration including additional refinery interests, a new overseas bunkering station and exploration and marketing in the United Kingdom.

Our Capital Expenditure for 1967 amounted to over £2,300,000. It is largely reflected firstly in the payment of the fourth of five instalments to acquire one-third of the Panama refinery, secondly in the expansion and improvement of the Newfoundland, California and Panama refineries, thirdly in the construction of bunkering equipment and fourthly in our drilling programme in Canada and the United States.

Our expansion in recent years has of necessity been financed mainly by short and medium-term borrowings to supplement cash flow ploughed back from operations and through sale and long-term lease-back arrangements. Our growing success is making it easier for us to refund loans and thereby provide money from such sources for working capital and for the financing of new projects. You will see from the Annual Report that we have recently arranged a five-year Eurodollar loan facility of \$7 million which enables us to refund some of our short-term borrowings. If the Group is to continue to expand, it will not be feasible to finance such growth exclusively by borrowing. We need to broaden our equity base. When certain of our investment plans are a little more advanced, we shall be discussing with our financial advisers the possibility of a rights issue and also of raising long-term funds in dollars which is the currency we need mainly for our expansion. The last rights issue to stockholders was made in 1946. As to dollar funds we should like to see a wider equity interest in our affairs on the part of Canadian and other overseas investors. This would be to our advantage operationally.

We had a choice of proposing to you a scrip dividend of one new stock unit for every fifty held or alternatively, but not optionally, of making a cash distribution of 1s. per stock unit held. Under our proposal you will receive one stock unit (for each fifty held) which you are free, if you so desire, to sell on the Stock Exchange and at today's price it would yield you over 60s. in cash subject to any Capital Gains Tax liability you may have. The Directors' Report deals at some length with the taxation disadvantages to the Company and to the stockholders of cash distributions at this stage, and we have no doubt that the course which we are following is in the interests of the stockholders whilst at the same time allowing the Company to retain the maximum cash flow for the finance of its growth.

The good results achieved and the growth picture I am able to put before you have been made possible because of a hard working and imaginative staff. I would like on your behalf to express to them our great appreciation of their efforts.

The Report and Accounts were adopted. The one-for-fifty scrip issue was approved.